

FINAL BILL REPORT

ESSB 6538

C 292 L 10
Synopsis as Enacted

Brief Description: Defining small groups for insurance purposes.

Sponsors: Senate Committee on Health & Long-Term Care (originally sponsored by Senators Keiser and Pflug).

Senate Committee on Health & Long-Term Care
House Committee on Health Care & Wellness

Background: Small groups are defined for insurance purposes as two to 50 employees. Licensed insurance products that are available to small groups are subject to a number of laws, including minimum benefit requirements, and rating and pooling requirements. In 2004 a number of changes were made to the small group insurance statutes, including changing the small group size from one to 50 employees. The self-employed and sole proprietor's with coverage in the small group market prior to June 10, 2004, were grandfathered into the small group. Policies are guaranteed issue, which means they are available to every person in the small group without any health screening. Individuals purchasing health insurance through the individual market are required to complete a health screening exam, unless they are transitioning from other qualified coverage.

Federal health reform bills passed by the House and Senate include proposals to create insurance exchanges for individuals and small groups to purchase insurance. The Senate bill includes individual and small group exchanges by 2014 and would initially permit states the option to either define small employers eligible to obtain exchange coverage as those with 100 or fewer employees, or as those with 50 or fewer employees. The House bill includes one exchange for individuals and small groups by 2013 and would initially permit employers with up to 25 employees to be exchange eligible.

Summary: Effective January 1, 2011, the definition of small employer or small group for insurance purposes is changed to a group that has between one and 50 employees. Provisions grandfathering the sole proprietors or self-employed that had small coverage prior to June 2004 are removed. Self-employed and sole proprietors must show they have been employed by the same small employer for at least 12 months prior to application for small group coverage, and verify that they derived at least 75 percent of their income from a trade or business and filed the appropriate Internal Revenue Service (IRS) form 1040 for the previous taxable year, except a self-employed person or sole proprietor in an agricultural trade or

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business must have derived at least 51 percent of income from the business and filed the appropriate IRS form for the previous taxable year.

The change in the small group size is effective 180 days after the Office of Insurance Commissioner certifies that Congress has passed, and the President has signed, federal legislation that provides guaranteed issue for individuals. If such legislation is not signed by the President by December 31, 2010, the change for the group size is null and void.

The small group census date is established in statute to allow insurance carriers to determine the census makeup of the small group and quote a firm premium. The small group applying for health benefits from a contractor other than its current contractor will have a census date that reflects the date the final group composition is received. Small groups renewing health benefits with the current contractor will have a census date 90 days prior to the effective date of the renewal.

Votes on Final Passage:

Senate	45	2	
House	58	36	(House amended)
			(Senate refused to concur)
House	61	36	(House receded/amended)
Senate	47	0	(Senate concurred)

Effective: June 10, 2010
Contingent (Sections 1 and 2)